



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

October 28, 2015

Belinda Jordan, Former Director
Morgan County Arts and Recreation Commission
450 Prestonsburg Street
West Liberty, KY 41472

Dear Ms. Jordan:

The Auditor of Public Accounts (APA) has completed an examination of the Morgan County Arts and Recreation Commission. Our office received concerns related to specific activities and transactions that could indicate possible mismanagement leading to noncompliance with Arts and Recreation Commission bylaws or state law. This letter summarizes the procedures performed and communicates the results of those procedures.

The APA reviewed certain activities for the period January 1, 2012 through December 31, 2013. The procedures performed include reviewing receipts, disbursements, payroll and general policies and procedures of the Arts and Recreation Commission.

The purpose of this review was not to provide an opinion on financial statements or activities, but to ensure appropriate processes are in place to provide strong oversight of financial activity and to review specific issues brought to our attention.

Detailed findings and recommendations are attached to this letter to assist all parties involved in improving procedures and internal controls. Overall, these findings indicate the former director and former chairman of the board exerted a great amount of control without proper oversight of the Arts and Recreation Commission.

If you have any questions, contact me or Libby Carlin, Assistant Auditor of Public Accounts.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam H. Edelen".

Adam H. Edelen
Auditor of Public Accounts

Cc: Stanley Franklin, Morgan County Judge/Executive
Tim Conley, Former Morgan County Judge Executive and
Chairman of the Morgan County Arts and Recreation Commission, Inc.

MORGAN COUNTY ARTS AND RECREATION COMMISSION
FINDINGS AND RECOMMENDATIONS

**MORGAN COUNTY ARTS AND RECREATION COMMISSION
FINDINGS AND RECOMMENDATIONS**

2013-001 There Was No Documentation Of Arts and Recreation Commission Meetings And No Approval Of Expenditures

The Arts and Recreation Commission did not have official meetings and there is no documentation to support the approval of expenditures. Between January 1, 2012 and December 31, 2013 the Arts and Recreation Commission received \$210,327 and expended \$153,744. During this time, checks were being signed either by the former Director of the Arts and Recreation Commission or the former County Judge/Executive. The board was not involved in approving expenditures, but rather done at the discretion of the former Director or the former Chairman of the Board, whom also was the former County Judge/Executive. There should be board meetings to approve all expenditures and review the financial reports presented to them. The board meeting minutes should document the exact nature of the financial reviews conducted by the board. Any issues that result from these reviews and action taken to resolve the issues should also be documented. We recommend the Arts and Recreation Commission have official meetings and ensure all meetings are properly documented. Further, we recommend the Arts and Recreation Commission analyze the *APA's 32 Board Recommendations for Public and Nonprofit Boards* that were provided by the auditors for those recommendations applicable, and implement clear policies for those that are appropriate.

Management's Response and Corrective Action Plan:

No response.

2013-002 Bylaws Of The Arts and Recreation Commission Could Not Be Provided To Auditors

The former Director of the Arts and Recreation Commission could not provide auditors with the bylaws of the Arts and Recreation Commission. The Articles of Incorporation of the Arts and Recreation Commission state "the bylaws of the corporation shall be adopted, and may be amended or repealed, by the board of directors". It was reported to us that bylaws existed, however both copies in the former Director's possession were destroyed in the tornado on March 2, 2012 and no board members had copies of the bylaws. The former Director should have been knowledgeable of the bylaws in order to ensure all activities were consistent with the policies of the board. If no bylaws exist, we recommend the board adopt bylaws to govern the activities of the Arts and Recreation Commission.

Management's Response and Corrective Action Plan:

No response.

**MORGAN COUNTY ARTS AND RECREATION COMMISSION
FINDINGS AND RECOMMENDATIONS
(Continued)**

2013-003 The Board Did Not Approve The Compensation And Job Duties Of The Former Director

The former Director of the Arts and Recreation Commission was paid a salary of \$22,080 for 2012 and \$25,920 for 2013. There is no documentation of approval of her salary and no contract or job description. The former Director supervised the Morgan County Wellness Center until it was destroyed in the tornado on March 2, 2012. The former Director continued to receive her salary throughout 2012 and it continued to March 28, 2014. She also supervised the Kiwanis Pool and organized other community events. She considered this part of her duties as Director of the Arts and Recreation Commission. The board should take into consideration that no wellness center currently exists when approving her current salary. We recommend the board meet and document the approval of her salary as well as job description.

Management's Response and Corrective Action Plan:

No response.

2013-004 The Arts And Recreation Commission Paid \$15,987 For Food Vouchers That Were Given To Citizens Of Morgan County

We found 10 checks written between December 19, 2012 and January 3, 2013 to local grocery stores totaling \$15,987 for food vouchers per the check memo line. These expenditures did not have any supporting invoices from the local grocery stores. These vouchers were given to citizens of Morgan County from the County Judge/Executive's office. Each voucher had a value up to \$20 to be used toward the purchase of a turkey, ham or other food item for a holiday meal. This gave the impression that county funds were being used to give food vouchers to the citizens of Morgan County for the holidays. The Arts and Recreation Commission receives most of its funds from the Morgan County Health Taxing District which is passed through the Gateway District Health Department. Other grants and donations are also received. It is questionable whether food vouchers are an allowable expense of the Arts and Recreation Commission. We recommend the board put policies in place to ensure all expenditures are allowable in the future.

Management's Response and Corrective Action Plan:

No response.

MORGAN COUNTY ARTS AND RECREATION COMMISSION
FINDINGS AND RECOMMENDATIONS
(Continued)

2013-005 The Arts and Recreation Commission Did Not Have Documentation For All Expenditures

During our examination we noted questionable expenditures that did not have proper supporting documentation. There were 3 checks written to cash totaling \$1,300, 2 checks to Commercial Bank for gift cards totaling \$2,775, and 7 checks written for rent of office space totaling \$1,650. This office space is also used by the former Director's personal business and there was no lease with the Arts and Recreation Commission for this space. There is no documentation of board approval and no supporting documentation to verify these expenditures. These unsupported expenditures are in addition to the voucher issue noted in comment 2013-004. We recommend the board review all supporting documentation for expenditures before approval. Also, we recommend the board review all prior expenditures to determine if funds should be reimbursed back to the Arts and Recreation Commission by the former Director or former Chairman of the Arts and Recreation Commission.

Management's Response and Corrective Action Plan:

No response.